

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION-DIVISION OF FINANCIAL ASSISTANCE
JUNE 5, 2018**

ITEM 9

SUBJECT

ALLOCATION OF CERTAIN FUNDS GENERATED FROM THE PETROLEUM STORAGE FEE, PURSUANT TO HEALTH AND SAFETY CODE SECTION 25299.43, SUBDIVISION (g), FOR FISCAL YEAR 2019-2020

DISCUSSION

This is an informational item for public comment, as required by Senate Bill (SB) 445 (Stats. 2014, ch. 547), which, in relevant part, enacted Health and Safety Code section 25299.43, subdivision (g)(3). SB 445 became effective on September 25, 2014 and provides that a portion of the existing petroleum storage fee be available for expenditure by the State Water Resources Control Board (State Water Board). SB 445 further provides that the funds be allocated to three specific accounts associated with prevention or cleanup of petroleum contamination and with investigation and remediation of surface or groundwater contamination.

Annually, the State Water Board must provide information and the opportunity for comment regarding how the State Water Board will propose to allocate funds collected from the three mills (\$0.003/gallon) set aside of the petroleum storage fee. Following public comment, no action will be taken by the State Water Board, although the board members may provide direction to staff. Informational items for public comment at State Water Board meetings have been presented in December 2014, July 2015, June 2016, and September 2017 for these appropriations for fiscal years (FYs) 2015-16, 2016-17, 2017-18, and 2018-19, respectively.

SB 445 specifically requires \$0.003 per gallon from the existing \$0.02 per gallon petroleum storage fee be allocated to the following accounts:

- (1) The Petroleum Underground Storage Tank (UST) Financing Account (Petroleum UST Financing Account) for grants and loans to small business underground storage tank (UST) owners and operators for compliance with UST regulatory requirements (including complying with the phase out of single-walled tanks);
- (2) The School District Account for reimbursing costs associated with cleaning up contamination from leaking petroleum USTs at school district properties; and
- (3) The Site Cleanup Subaccount to fund sites undergoing or in need of investigation and remediation of harm or threat of harm caused by existing or threatened surface or groundwater contamination.

The Petroleum UST Financing Account is implemented by the Replacing, Removing, or Upgrading USTs (RUST) grant and loan program. The School District Account is implemented by the UST Cleanup Fund. The Site Cleanup Subaccount is implemented by the Site Cleanup Subaccount Program as a special program of the UST Cleanup Fund.

For FYs 2015-16, 2016-17, and 2017-18, State Water Board staff estimated the amount of revenues that would be collected from the three mills of the petroleum storage fee and then proposed a budget change to authorize the allocations to each account accordingly. The California State Legislature approved these budget changes in Assembly Bill (AB) No. 93, June 24, 2015 (Stats. 2015, ch. 10), SB No. 826, June 27, 2016 (Stats. 2016, ch. 23), and AB No. 97, June 27, 2017 (Stats. 2017, ch. 14), respectively. For FY 2018-19, State Water Board staff estimated the amount of revenues that would be collected from the three mills of the petroleum storage fee and then proposed a budget change to authorize the allocations to each account accordingly. The budget process for FY 2018-19 is ongoing.

The allocation in each of the past four fiscal years has been an even split between the Petroleum UST Financing Account and the Site Cleanup Subaccount, and none for the School District Account. The School District Account has sufficient funds to support school districts' needs without providing additional funds from the three-mill allocation. The amounts of the allocation have been based on estimates that the three mills will generate \$39.5 million annually, although actual and projected revenues suggest revenues to be somewhat higher (~\$51 million per year). State Water Board staff recommends a similar allocation of these funds for FY 2019-20, as staff projects similar revenue from the petroleum storage fee as in past years. The allocation will be proposed in accordance with the State Budget process. The State Budget process for FY 2019-2020 will begin with publication of the Governor's Budget in January 2019 and a May 2019 Budget Revision, and adoption of the State Budget some time thereafter.

Annual expenditures for the Petroleum UST Financing Account are expected to increase as State Water Board staff continue outreach and generate more projects in need of and consistent with the purpose of these funds. State Water Board staff expects more grants and loans to be funded with the Petroleum UST Financing Account as eligible small businesses remove single-walled USTs and complete other UST work. Single-walled USTs, including single-walled piping, must be permanently closed in accordance with Health and Safety Code section 25292.05 by December 31, 2025. The RUST Program has funded 244 grants and loans, valued at approximately \$33.5 million, since 2015, and expects to fund an additional 90 grants and loans, valued at \$20 million, in fiscal year 2018-2019. A total of approximately \$39 million have been encumbered for grants and loans compared to the amount of funds, \$63.9 million, allocated since 2015.

Annual expenditures for Site Cleanup Subaccount will likely stay the same as the current level of staff resources limits the number of projects that can be identified and funded. Since 2015, the State Water Board has funded 49 projects, valued at approximately \$59.6 million, and staff expects to fund an additional 24 new projects in fiscal year 2018-2019. A total of \$59.6 million has been encumbered for projects compared to the total appropriation (since 2015) of \$68.2 million.

POLICY ISSUE

How should the specified funds collected pursuant to subdivision (g)(2) of section 25299.43 of the Health and Safety Code be allocated among the purposes provided in subdivisions (k), (m), and (o) of section 25299.51?

FISCAL IMPACT

No additional fiscal impact to currently budgeted program resources.

REGIONAL BOARD IMPACT

Regional Water Quality Control Board staff oversee and manage projects funded by the Site Cleanup Subaccount. These costs are funded from the Site Cleanup Subaccount.

HUMAN RIGHT TO WATER ANALYSIS

This budget allocation will support California's Human Right to Water law and help insure that communities relying on human-caused groundwater contamination have a reliable drinking water supply. The grants and loans that will be awarded with these funds will address environmental justice issues and disadvantaged communities by providing financial assistance to clean up sites for which responsible parties do not have the ability of other financing sources to pay for soil and groundwater cleanup of pollution that causes or threatens harm to human, health, safety, and the environment.

STAFF RECOMMENDATION

Accept public comment on recommended allocation of the three mills. State Water Board staff recommends the following division of revenues: 50 percent to the Petroleum UST Financing Account and 50 percent to Site Cleanup Subaccount; do not allocate any funds to School District Account.

State Water Board consideration of public input on this item will assist the Water Boards in reaching Goal 2 of the Strategic Plan Update: 2008-2012 to narrative of goal(s), which is to improve and protect groundwater quality in high-use basins by 2030. In particular, addressing this item will help ensure that communities relying on contaminated surface or groundwater have a reliable drinking water supply (http://www.swrcb.ca.gov/board_reference/docs/summary_strategic_plan_2008-2012.pdf).